

CITY OF COVINGTON, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR ENDED DECEMBER 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-13-05

**CITY OF COVINGTON, LOUISIANA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED DECEMBER 31, 2004
WITH SUPPLEMENTAL INFORMATION SCHEDULES**

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**CITY OF COVINGTON, LOUISIANA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED DECEMBER 31, 2004
WITH SUPPLEMENTAL INFORMATION SCHEDULES**

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The Honorable Candace Watkins, Mayor
and Members of the City Council
City of Covington, Louisiana

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF COVINGTON, LOUISIANA**, (the City) as of and for the year ended December 31, 2004, which collectively comprise the **CITY OF COVINGTON, LOUISIANA's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **CITY OF COVINGTON, LOUISIANA's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **CITY OF COVINGTON, LOUISIANA**, as of December 31, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The **CITY OF COVINGTON, LOUISIANA'S** management has not presented the management's discussion and analysis information that the Governmental Accounting Standards Board has determined to be required to supplement, although not required to be a part of, the basic financial statements.

As described in Note A to the Basic Financial Statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements* as of January 1, 2004. This results in a change in the form and content of the basic financial statements.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 4, 2005, on our consideration of the **CITY OF COVINGTON, LOUISIANA's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Budgetary Comparison Schedules, as listed in the table of contents, are not a required part of the basic financial statements of **CITY OF COVINGTON, LOUISIANA** but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the **CITY OF COVINGTON, LOUISIANA's** basic financial statements. The other supplemental information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.



A Professional Accounting Corporation

May 4, 2005

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF COVINGTON, LOUISIANA
STATEMENT OF NET ASSETS
December 31, 2004

Statement A

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 4,918,011	\$ 225	\$ 4,918,236
Equity in Pooled Cash	213,946	762,178	976,124
Investments	1,514,498	-	1,514,498
Certificates of Deposit	1,289,405	-	1,289,405
Receivables	1,886,832	148,306	2,035,138
Prepays	60,443	33,670	94,113
Due from Agency Fund	-	22,000	22,000
Internal Balances	(18,540)	18,540	-
Due from Others	40,397	-	40,397
Restricted Assets			
Cash	-	96,770	96,770
Equity in Pooled Cash	-	254,801	254,801
Capital Assets, Net	<u>6,583,231</u>	<u>15,630,775</u>	<u>22,214,006</u>
Total Assets	<u>16,488,223</u>	<u>16,967,265</u>	<u>33,455,488</u>
LIABILITIES			
Accounts Payable	325,904	104,009	429,913
Accrued Payroll Expenses	285,437	33,694	319,131
Pooled Cash in Other Funds	1,230,925	-	1,230,925
Customer Deposits	-	166,191	166,191
Accrued Interest	80,780	-	80,780
Deferred Revenues	69,876	9,470	79,346
Payable from Restricted Assets:			
Revenue Bonds	-	122,054	122,054
Accrued Interest	-	5,894	5,894
Compensated Absences	247,929	-	247,929
Revenue Bonds Payable			
Due Within One Year	445,000	-	445,000
Due in More Than One Year	5,230,000	177,000	5,407,000
General Obligations Bonds Payable			
Due Within One Year	280,000	-	280,000
Due in More Than One Year	<u>2,040,000</u>	<u>-</u>	<u>2,040,000</u>
Total Liabilities	<u>10,235,851</u>	<u>618,312</u>	<u>10,854,163</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(732,729)	15,331,721	14,598,992
Restricted for:			
Debt Service	1,868,941	345,677	2,214,618
Perpetual Care	50,612	-	50,612
Recreation	840,000	-	840,000
Capital Outlay	1,514,498	-	1,514,498
Unrestricted	<u>2,711,050</u>	<u>671,555</u>	<u>3,382,605</u>
Total Net Assets	<u>\$ 6,252,372</u>	<u>\$ 16,348,953</u>	<u>\$ 22,601,325</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, LOUISIANA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2004

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$ 1,873,806	\$ 198,491	\$ -	\$ -	\$ (1,675,315)	\$ -	\$ (1,675,315)
Public Safety - Police	2,354,052	5,582	31,762	35,874	(2,280,834)	-	(2,280,834)
Public Safety - Fire	679,743	69,779	-	10,199	(599,765)	-	(599,765)
Public Works	1,626,390	8,914	375,677	-	(1,241,799)	-	(1,241,799)
Culture and Recreation	365,953	57,345	-	-	(308,608)	-	(308,608)
Interest on Long-Term Debt	393,366	-	-	-	(393,366)	-	(393,366)
Total Governmental Activities	7,293,310	340,111	407,439	46,073	(6,499,687)	-	(6,499,687)
BUSINESS-TYPE ACTIVITIES							
Water	1,156,688	870,164	-	-	-	(286,524)	(286,524)
Sewer	1,054,293	933,048	-	-	-	(121,245)	(121,245)
Garbage	568,633	529,612	-	-	-	(39,021)	(39,021)
Interest on Long-Term Debt	12,331	-	-	-	-	(12,331)	(12,331)
Total Business-Type Activities	2,791,945	2,332,824	-	-	-	(459,121)	(459,121)
Total	\$ 10,085,255	\$ 2,672,935	\$ 407,439	\$ 46,073	(6,499,687)	(459,121)	(6,958,808)
General Revenues							
Taxes							
Property					1,445,337	-	1,445,337
Sales					589,045	-	589,045
Franchise					5,848,068	-	5,848,068
Other					27,349	-	27,349
Licenses and Permits					870,572	-	870,572
Fines and Forfeitures					139,579	-	139,579
Investment Earnings					61,375	619	61,994
Other General Revenues					106,858	29,743	136,601
Transfers					(709,300)	709,300	-
Capital Contribution					(807,309)	807,309	-
Total General Revenues and Transfers					7,571,574	1,546,971	9,118,545
CHANGE IN NET ASSETS					1,071,887	1,087,850	2,159,737
NET ASSETS - BEGINNING OF YEAR					5,180,485	15,261,103	20,441,588
NET ASSETS - END OF YEAR					\$ 6,252,372	\$ 16,348,953	\$ 22,601,325

The accompanying notes are an integral part of these financial statements

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS

CITY OF COVINGTON, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2004

ASSETS	General Fund	Special Revenue		Debt Service		Nonmajor Governmental Funds	Total Governmental Funds
		1982 Sales Tax Fund	1957 Sales Tax Fund	General Obligation Fund	Sales Tax Bond Fund		
Cash and Cash Equivalents	\$ 3,805,090	\$ -	\$ -	\$ 226,299	\$ 143,705	\$ 742,917	\$ 4,918,011
Equity in Pooled Cash	-	59,030	-	-	-	154,916	213,946
Investments	1,514,498	-	-	-	-	-	1,514,498
Certificates of Deposit	-	-	-	546,867	717,583	24,955	1,289,405
Receivables							
Taxes	1,251,053	-	-	182,560	-	-	1,433,613
Notes Receivable	153,751	-	-	-	-	-	153,751
Grant Receivable	21,321	-	-	-	-	-	21,321
Accrued Interest	-	-	-	1,465	379	-	1,844
Other	276,281	-	22	-	-	-	276,303
Prepays	60,255	-	188	-	-	-	60,443
Due from Other Funds	8,528	-	-	-	59,030	12,013	79,571
Due from Others	40,397	-	-	-	-	-	40,397
Total Assets	\$ 7,131,174	\$ 59,030	\$ 210	\$ 957,191	\$ 920,697	\$ 934,801	\$ 10,003,103
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts Payable and Accrued Expenses	\$ 275,671	\$ -	\$ -	\$ -	\$ -	\$ 50,233	\$ 325,904
Accrued Payroll Expenses	305,911	-	-	-	-	-	305,911
Pooled Cash in Other Funds	1,230,925	-	-	-	-	-	1,230,925
Due to Other Funds	30,134	59,030	-	6,144	2,803	-	98,111
Deferred Revenues	69,876	-	-	-	-	-	69,876
Total Liabilities	1,912,517	59,030	-	6,144	2,803	50,233	2,030,727
FUND BALANCES							
Reserved for Capital Outlay	\$ 1,514,498	\$ -	\$ -	\$ -	\$ -	679,040	2,193,538
Reserved for Debt Service	-	-	-	951,047	917,894	-	1,868,941
Reserved for Recreation	840,000	-	-	-	-	-	840,000
Reserved for Perpetual Care	-	-	-	-	-	50,612	50,612
Unreserved	2,864,159	-	210	-	-	154,916	3,019,285
Total Fund Balances	5,218,657	-	210	951,047	917,894	884,568	7,972,376
Total Liabilities and Fund Balances	\$ 7,131,174	\$ 59,030	\$ 210	\$ 957,191	\$ 920,697	\$ 934,801	\$ 10,003,103

The accompanying notes are an integral part of these financial statements.

Statement D

**CITY OF COVINGTON, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE FINANCIAL STATEMENT OF NET ASSETS
For The Year Ended December 31, 2004**

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Fund Balances - Total Governmental Funds	\$ 7,972,376
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Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the governmental funds.

Governmental Capital Assets	11,478,123
Less: Accumulated Depreciation	(4,894,892)

Long-term liabilities, including bonds payable, are not due and payable in the
current period and, therefore, are not reported in the governmental funds.

Accrued Interest on Bonds	(80,780)
Compensated Absences	(227,455)
General Obligation Bonds	(2,320,000)
Revenue Bonds	<u>(5,675,000)</u>

Net Assets of Governmental Activities	<u>\$ 6,252,372</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2004

	Special Revenue		Debt Service		Nonmajor Governmental Funds	Total Governmental Funds
	1982 Sales Tax Fund	1957 Sales Tax Fund	General Obligation Fund	Sales Tax Bond Fund		
REVENUES						
Taxes						
Property Taxes	\$ 1,261,101	\$ -	\$ 184,236	\$ -	-	\$ 1,445,337
Franchise Taxes	589,045	-	-	-	-	589,045
Sales Taxes	-	2,829,878	-	-	188,312	5,848,068
Licenses and Permits	870,572	-	-	-	-	870,572
Intergovernmental Grants	104,904	-	-	-	-	104,904
Charges for Services	262,556	-	-	-	-	262,556
Fines and Forfeitures	139,579	-	-	-	-	139,579
Federal Grants	403,841	-	-	-	-	403,841
State Grants	49,669	-	-	-	-	49,669
Interest Income	33,011	-	9,235	12,320	6,809	61,375
Other Revenues	106,860	-	-	-	-	106,860
Total Revenues	3,821,138	2,829,878	193,471	12,320	195,121	9,881,806
EXPENDITURES						
Current:						
General Government	1,812,398	3	1,537	1,046	-	1,814,988
Public Safety - Police	2,324,648	-	-	-	-	2,324,648
Public Safety - Fire	616,671	-	-	-	-	616,671
Public Works - Streets	2,784,970	-	-	-	-	2,784,970
Culture and Recreation	413,436	-	-	-	-	413,436
Capital Outlay	-	-	-	-	911,875	911,875
Debt Service	-	-	-	-	-	-
Principal	-	-	260,000	425,000	-	685,000
Interest	-	-	116,535	284,223	-	400,758
Total Expenditures	7,952,123	3	378,072	710,269	911,875	9,952,346
Excess (Deficiency) of Revenues Over Expenditures	(4,130,985)	2,829,875	(184,601)	(697,949)	(716,754)	(70,540)

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2004

	Special Revenue		Debt Service		Nonmajor Governmental Funds	Total Governmental Funds
	1982 Fund	1957 Sales Tax Fund	General Obligation Fund	Sales Tax Bond Fund		
OTHER FINANCING SOURCES (USES):						
Transfers In	4,985,726	-	-	709,078	-	5,694,804
Transfers Out	(709,300)	(2,829,874)	-	-	(35,055)	(6,404,104)
Total Other Financing Sources (Uses)	4,276,426	(2,829,874)	-	709,078	(35,055)	(709,300)
CHANGES IN FUND BALANCES	145,441	-	(184,601)	11,129	(751,809)	(779,840)
FUND BALANCES - BEGINNING OF YEAR	5,073,216	210	1,135,648	906,765	1,636,377	8,752,216
FUND BALANCES - END OF YEAR	\$ 5,218,657	\$ 210	\$ 951,047	\$ 917,894	\$ 884,568	\$ 7,972,376

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE FINANCIAL STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2004

*Amounts reported for governmental activities in the Statement of Activities
are different because:*

Changes in Fund Balances - Total Governmental Funds	\$ (779,840)
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense. This is the amount by which capital outlay charged exceeded depreciation in the current period.	1,176,221
Change in Accrued Interest	7,392
Change in Compensated Absences	(16,886)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>685,000</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,071,887</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS
PROPRIETARY FUND

**CITY OF COVINGTON, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

ASSETS

	December 31,	
	2004	2003
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 225	\$ 225
Equity in Pooled Cash	762,178	169,158
Receivables:		
Accounts Receivable Net of Uncollectible	125,502	150,937
Other Receivable	22,804	90,103
Prepaid Expenses	33,670	33,670
Due from Agency Funds	22,000	-
Due from Other Funds	30,643	28,583
Total Current Assets	<u>997,022</u>	<u>472,676</u>
RESTRICTED ASSETS		
Cash	96,770	96,985
Equity in Pooled Cash	254,801	247,949
Total Restricted Assets	<u>351,571</u>	<u>344,934</u>
CAPITAL ASSETS, NET	<u>15,630,775</u>	<u>15,195,033</u>
TOTAL ASSETS	<u>16,979,368</u>	<u>16,012,643</u>

The accompanying notes are an integral part of these financial statements.

Statement G (Continued)

**CITY OF COVINGTON, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

LIABILITIES

	December 31,	
	2004	2003
CURRENT LIABILITIES		
(Payable from Current Assets)		
Accounts Payable	104,009	145,938
Accrued Expenses	33,694	22,894
Customer Deposits	166,191	158,917
Unearned Revenue	9,470	-
Due to Other Funds	12,103	4,410
Total Current Liabilities		
(Payable from Current Assets)	325,467	332,159
CURRENT LIABILITIES		
(Payable from Restricted Assets)		
Revenue Bonds	122,054	105,345
Accrued Interest	5,894	14,970
Total Current Liabilities		
(Payable from Restricted Assets)	127,948	120,315
LONG-TERM LIABILITIES		
Revenue Bonds Payable	177,000	299,066
Total Long-Term Liabilities	177,000	299,066
Total Liabilities	630,415	751,540
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	15,331,721	14,790,622
Restricted for:		
Debt Service	345,677	329,964
Unrestricted Net Assets	671,555	140,517
Total Net Assets	<u>\$ 16,348,953</u>	<u>\$ 15,261,103</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND

	For The Years Ended December 31,	
	2004	2003
OPERATING REVENUES		
Water Revenues	\$ 835,517	\$ 791,645
Water Installations	34,647	27,454
Sewer Maintenance Fees	882,059	842,965
Sewer Installations	24,112	41,054
Cut-on Fees	26,877	23,295
Garbage Collection Fees	529,612	502,855
Miscellaneous	29,743	17,769
Total Operating Revenues	<u>2,362,567</u>	<u>2,247,037</u>
OPERATING EXPENSES		
Water Department Expenses	1,156,688	962,697
Sewer Department Expenses	1,054,293	1,170,733
Garbage Department Expenses	<u>568,633</u>	<u>489,351</u>
Total Operating Expenses	<u>2,779,614</u>	<u>2,622,781</u>
Operating Loss	<u>(417,047)</u>	<u>(375,744)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	619	789
Interest Expense	<u>(12,331)</u>	<u>(21,842)</u>
Total Non-Operating Revenues (Expenses)	<u>(11,712)</u>	<u>(21,053)</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(428,759)</u>	<u>(396,797)</u>
Capital Contributions	807,309	1,680,130
Operating Transfers	<u>709,300</u>	<u>639,963</u>
CHANGE IN NET ASSETS	<u>1,087,850</u>	<u>1,923,296</u>
NET ASSETS - BEGINNING OF YEAR	<u>15,261,103</u>	<u>13,337,807</u>
NET ASSETS - END OF YEAR	<u>\$ 16,348,953</u>	<u>\$ 15,261,103</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COVINGTON, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

Statement I

	For The Years Ended December 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 2,438,941	\$ 2,209,282
Payments to Suppliers	(1,558,710)	(1,436,366)
Payments to Employees	(740,577)	(715,420)
Net Cash Provided by Operating Activities	139,654	57,496
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
New Interfund Borrowings from Other Funds	(16,368)	(27,657)
Net Cash Used in Noncapital Financing Activities	(16,368)	(27,657)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers In	709,309	639,963
Capital Contributions	807,309	1,680,130
Purchase of Capital Assets	(914,102)	(2,386,049)
Payments on State Contract	-	(14,305)
Principal Paid on Capital Debt	(105,357)	(99,884)
Interest Paid on Capital Debt	(21,407)	(26,151)
Net Cash Provided by (Used in) Capital and Related Financing Activities	475,752	(206,296)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	619	789
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	599,657	(175,668)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	514,317	689,985
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,113,974</u>	<u>\$ 514,317</u>
CASH AND CASH EQUIVALENTS RECONCILIATION		
Cash and Cash Equivalents (Unrestricted)	\$ 225	\$ 225
Equity in Pooled Cash	762,178	169,158
Restricted Cash and Cash Equivalents	96,770	96,985
Restricted Equity in Pooled Cash	254,801	247,949
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,113,974</u>	<u>\$ 514,317</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COVINGTON, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

Statement I (Continued)

		For The Years Ended	
		December 31,	
		2004	2003
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Loss		\$ (417,047)	\$ (375,744)
Adjustments to Reconcile Operating Loss to Net Cash			
Provided by Operating Activities			
Depreciation	478,351		460,656
Bad Debt Expense	33,105		14,730
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	59,629		(41,082)
Increase in Prepaid Expenses	-		(1,282)
Decrease in Accounts Payable	(41,929)		(4,645)
Increase in Accrued Expenses	10,800		1,536
Increase in Deferred Revenue	9,470		-
Increase in Customer Deposits	7,275		3,327
Net Cash Provided by Operating Activities		<u>\$ 139,654</u>	<u>\$ 57,496</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS
FIDUCIARY FUNDS

CITY OF COVINGTON, LOUISIANA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
December 31, 2004

Statement J

	<u>1993 Sewer Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,581
Other Receivables	34,145
Due From Others	<u>20,419</u>
 Total Assets	 <u>\$ 56,145</u>
 LIABILITIES	
Due to Other Funds	\$ 22,000
Deferred Revenues	<u>34,145</u>
 Total Liabilities	 <u>\$ 56,145</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

INTRODUCTION

The **CITY OF COVINGTON, LOUISIANA**, (the City) adopted the Home Rule Charter on November 7, 1978, under the provisions of Article VI, Section 5, of the Louisiana Constitution of 1974. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation and utilities, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Government Auditor Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the City includes all funds which are controlled by or dependent on the City which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation and management or governing authority, and authority to issue debt. Based on these criteria, the City has determined that there are no component units that are part of the reporting entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Separate financial statements are provided for governmental funds and the City's proprietary fund. Most individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The City reports the following major governmental funds:

GENERAL FUND – The General Fund is the general operating fund of the City. This fund is used to account for all financial transactions and resources except those that are required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal grants, licenses, permits, charges for service, and interest income.

1982 SALES TAX SPECIAL REVENUE FUND – The 1982 Sales Tax Fund is used to account for the proceeds of the 1982 sales tax. The 1% 1982 sales tax is used to retire the 1997 Sales Tax Refunding Bonds and the 2002 Sales Tax Bonds. Any proceeds remaining in the 1982 Sales Tax Fund on the last day of each month after satisfying all sinking and reserve fund requirements are dedicated as follows:

Capital Improvements	60%
Recreation Facilities and Equipment	15%
Street and Drainage Maintenance	10%
Central Business District Municipal Services and Capital Improvements	10%
Police Facilities and Equipment	5%

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

1957 SALES TAX SPECIAL REVENUE FUND – The 1957 Sales Tax Fund is used to account for the receipt and use of proceeds of the City's 1957 1% sales and use tax. This tax is dedicated for the purpose of constructing, improving, extending and maintaining playgrounds and recreational facilities, public roads, streets, bridges and crossings, sewer, garbage disposal, waterworks, and other works of permanent public improvement in the City, title to which shall be in the public's name.

GENERAL OBLIGATION BOND DEBT SERVICE FUND – The General Obligation Bond Redemption Fund is used to accumulate monies for the payment of the principal and interest of the 1995 General Obligation Fire Department Bonds, the 1996 Refunding Bonds which refunded the 1999 - 2008 maturities of the 1988 Sewer Bonds, and the 2002 General Obligation Bonds. Financing is to be provided by Ad Valorem taxes.

SALES TAX BOND DEBT SERVICE FUND – The Sales Tax Bond Fund is used to accumulate monies for payment of the principal and interest of the 1997 Sales Tax Refunding Bonds which were issued to refund the remaining maturities of the 1990 Public Improvement Bonds and the 2002 Sales Tax Bonds.

The City has one proprietary fund to account for the water, sewer, and garbage services it provides to the residents and businesses of the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues for the City's proprietary fund consist of charges to customers and users of its water, sewer and garbage services. Operating expenses for the City's proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to October 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted at City Hall.
- C. Prior to the last meeting of the current fiscal year, the budget is legally enacted through passage of an ordinance.
- D. The Mayor may transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency. An unencumbered appropriation balance may be transferred from one department, office, or agency to another only upon action of the City Council by ordinance.
- E. Formal budgetary integration is employed as a measurement control device during the year for the General Fund, Special Revenue Fund, Enterprise Fund, and the Debt Service Funds.
- F. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the City Council.
- G. All appropriations, except for capital outlay appropriations, lapse at year end.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEPOSITS AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at fair value using published market quotes.

PROPERTY TAXES

Property taxes are due on January 1 and delinquent if not paid by February 1. Property taxes are recorded as revenues when levied. Tax liens are filed on all unpaid bills. The City bills property taxes using the assessed values determined by the tax assessor of St. Tammany Parish. The St. Tammany Parish Sheriff collects property taxes and remits taxes to the City as collected. Total property tax revenue for the year ended December 31, 2004, was \$1,445,337 and is recorded in the funds as follows:

General Fund	\$ 1,261,101
Debt Service Fund	<u>184,236</u>
	<u>\$ 1,445,337</u>

ACCUMULATED UNPAID VACATION LEAVE AND SICK PAY

A majority of employees may accrue annual leave up to a maximum of 160 hours. At termination, employees are paid for any accumulated annual leave. No payment is made to terminated employees for accrued sick leave. The amount of accumulated annual leave payable in the government-wide financial statements at December 31, 2004, is \$247,929.

ACCOUNTS RECEIVABLE

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable. The allowance is \$30,744 at December 31, 2004.

At December 31, 2004, the aging of utility receivables was as follows:

Current	\$ 63,875
Over 31 under 60	14,500
Over 61 under 90	2,262
Over 90	75,609
Less allowance	<u>(30,744)</u>
	<u>\$ 125,502</u>

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical costs are not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements, to the extent that the City's capitalization threshold is met. In accordance with GASB Statement No. 34, the City has elected to not capitalize infrastructure retroactively. Interest incurred during construction will be capitalized beginning in fiscal year 2004, on a government-wide basis. Interest attributable to capitalized assets as of December 31, 2004, was immaterial. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Roads, Bridges, and Infrastructure	20 - 40 Years
Utility System	30 - 40 Years
Buildings and Building Improvements	20 - 40 Years
Furniture and Fixtures	5 - 10 Years
Vehicles	5 - 10 Years
Equipment	5 - 15 Years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND EQUITY

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – Net assets with constraints placed on the use either by:
 - a. external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or
 - b. law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

INTERFUND TRANSACTIONS

Permanent re-allocation of resources between funds of the reporting entity are classified as inter-fund transfers. For the purposes of the Statement of Activities, all inter-fund transfers between individual governmental funds have been eliminated.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Debt Service Funds, which were not budgeted. All annual appropriations lapse at fiscal year end.

The City was in compliance with the Local Budget Act. See Note A for the procedures the City follows regarding budgets and budgetary accounting.

The City does not utilize encumbrance accounting.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE B

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEPOSITS AND INVESTMENT LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The City was in compliance with the deposit and investment laws and regulations.

DEFICIT FUND EQUITY

As of December 31, 2004, no City funds had deficit fund equities.

COMPLIANCE WITH DEBT COVENANTS

1. Compliance with Sales Tax Bond Covenants -

As of December 31, 2004, the City was in compliance with all Sales Tax Bond Covenants.

2. Compliance with Water and Sewer Revenue Bond Covenants -

As of December 31, 2004, the City was in compliance with all Sewer Revenue Bond Covenants.

NOTE C

CASH AND INVESTMENTS

The City's deposits, including restricted cash of \$96,770, and cash of fiduciary fund of \$1,581, are categorized as follows at December 31, 2004:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand Deposits	\$ 5,016,587	\$ 5,289,096
Certificates of Deposit	<u>1,289,405</u>	<u>1,289,405</u>
	<u>\$ 6,305,992</u>	<u>\$ 6,578,501</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2004, the City has \$6,578,501 in deposits (collected bank balances). These deposits are secured from risk by \$424,955 of federal deposit insurance, a \$5,000,000 letter of credit and \$1,153,546 of pledged securities held by the custodial bank in the name of the fiscal agent banks (GASB Category 3) and a Federal Home Loan Bank Letter of Credit.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE C

CASH AND INVESTMENTS (Continued)

Even though the pledged securities are considered uncollateralized (Category 3), under the provisions of GASB Statement No. 3, R.S. 39:1229 impose a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

The carrying amount does not include accrued interest of \$1,844 on certificates of deposit.

The City's investments consist of various governmental obligations, which are stated at their fair value, determined by market prices, of \$1,514,498 at December 31, 2004. These investments are considered a Category 2 investment risk, which includes investments for which, the securities are held by the counterpart's trust department in the City's name.

NOTE D

INTERFUND RECEIVABLES/PAYABLES

The primary purpose of interfund receivables/payables is to loan monies from the General Fund to individual funds to cover current expenditures. Individual fund balances due from/to other funds at December 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General Fund	\$ 8,528	\$ 30,134
Special Revenue Funds		
1982 Sales Tax Fund	-	59,030
Debt Service Fund		
General Obligation Bond		
Redemption Fund	-	6,144
Sales Tax Bond Fund	59,030	2,803
Agency Funds		
1993 Sewer Extension Fund	-	22,000
Proprietary Fund	52,643	12,103
Capital Projects Funds		
2002 Capital Projects Fund	<u>12,013</u>	<u>-</u>
	<u>\$ 132,214</u>	<u>\$ 132,214</u>

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE E

UNEARNED REVENUES

At December 31, 2004, the City has recorded unearned revenues, a liability, as follows:

	<u>General</u>	<u>Proprietary Fund</u>	<u>1993 Sewer Extension</u>
Grants Advanced	\$ 9,335	\$ -	\$ -
<i>Paving Assessments to be Collected</i>	40,397	-	-
Sewer Assessments to be Collected	-	-	34,145
Other	<u>20,144</u>	<u>9,470</u>	<u>-</u>
	<u>\$ 69,876</u>	<u>\$ 9,470</u>	<u>\$ 34,145</u>

NOTE F

CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2004:

	<u>Restated Balance January 1 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31 2004</u>
<u>Governmental Activities</u>				
Capital Assets Not Depreciated:				
Land	\$ 548,097	\$ -	\$ -	\$ 548,097
Capital Assets Being Depreciated:				
Buildings	3,658,119	-	-	3,658,119
Improvements	2,115,113	38,947	-	2,154,060
Vehicles	1,745,598	199,420	-	1,945,018
Office Equipment and Furniture	322,294	30,837	-	353,131
Tools and Equipment	1,442,539	67,321	-	1,509,860
Infrastructure	<u>-</u>	<u>1,309,838</u>	<u>-</u>	<u>1,309,838</u>
Total Capital Assets Being Depreciated	<u>9,283,663</u>	<u>1,646,363</u>	<u>-</u>	<u>10,930,026</u>
Less Accumulated Depreciation for:				
Buildings	870,091	67,736	-	937,827
Improvements	1,287,369	109,620	-	1,396,989
Vehicles	994,875	167,282	-	1,162,157
Office Equipment and Furniture	238,999	17,255	-	256,254
Tools and Equipment	1,033,416	100,746	-	1,134,162
Infrastructure	<u>-</u>	<u>7,503</u>	<u>-</u>	<u>7,503</u>
Total Accumulated Depreciation	<u>4,424,750</u>	<u>470,142</u>	<u>-</u>	<u>4,894,892</u>
Total Capital Assets Being Depreciated, Net	<u>4,858,913</u>	<u>1,176,221</u>	<u>-</u>	<u>6,035,134</u>
Totals	<u>\$ 5,407,010</u>	<u>\$ 1,176,221</u>	<u>\$ -</u>	<u>\$ 6,583,231</u>

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE F

CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

General Government	\$ 76,079
Public Safety - Police	133,476
Public Safety - Fire	73,271
Public Works	127,124
Culture and Recreation	<u>60,192</u>
Total	<u>\$ 470,142</u>

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended December 31, 2004:

<u>Business-Type Activities</u>	<u>January 1 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31 2004</u>
Capital Assets Not Depreciated:				
Construction in Progress	<u>\$ 1,127,421</u>	<u>\$ 377,058</u>	<u>\$ 583,847</u>	<u>\$ 920,632</u>
Capital Assets Being Depreciated:				
Sewer Plant and Lines	11,799,972	659,947	-	12,459,919
Water Wells, Tanks, and Lines	6,007,267	460,935	-	6,468,202
Vehicles	<u>375,616</u>	<u>-</u>	<u>-</u>	<u>375,616</u>
Total Capital Assets Being Depreciated	<u>18,182,855</u>	<u>1,120,882</u>	<u>-</u>	<u>19,303,737</u>
Less Accumulated Depreciation for:				
Sewer Plant and Lines	2,731,514	270,828	-	3,002,342
Water Wells, Tanks, and Lines	1,128,221	167,559	-	1,295,780
Vehicles	<u>255,508</u>	<u>39,964</u>	<u>-</u>	<u>295,472</u>
Total Accumulated Depreciation	<u>4,115,243</u>	<u>478,351</u>	<u>-</u>	<u>4,593,594</u>
Total Capital Assets Being Depreciated, Net	<u>14,067,612</u>	<u>642,531</u>	<u>-</u>	<u>14,710,143</u>
Totals	<u>\$ 15,195,033</u>	<u>\$ 1,019,589</u>	<u>\$ 583,847</u>	<u>\$ 15,630,775</u>

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements are summarized as follows:

Primary Government	
Capital Outlay	\$ 1,646,363
Depreciation Expense	<u>(470,142)</u>
Total Adjustment	<u>\$ 1,176,221</u>

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE G

RESTRICTED ASSETS

An ordinance authorizing the issuance of a \$1,200,000 Water Revenue Bond dated November 4, 1980 and an ordinance authorizing the issuance of a \$368,000 Water Revenue Bond dated June 20, 1996, which was used to retire the outstanding balance on a 1985 bond, together provide for certain restrictions on assets of the Enterprise Fund.

Revenue Bond Sinking Fund

The ordinances called for the establishment and maintenance of a Revenue Bond Sinking Fund sufficient in amount to pay promptly and in full the principal and interest on the bonds authorized as they become due and payable. This requirement has been met as of December 31, 2004.

Revenue Bond Reserve Fund

The ordinances called for the establishment of a Revenue Bond Reserve Fund by depositing with the regularly designated fiscal agent bank of the City 5% of the amount to be deposited into the Sinking Fund until such time as there has been accumulated an amount equal to the highest combined debt service payable. The 1996 refunding ordinance called for an initial deposit of \$20,976, which was paid from the 1980 reserve funds and, thereafter, monthly payments of \$190 until an amount attributable to the 1996 issuance of \$36,000 is on hand in the Revenue Bond Reserve Fund. The sole purpose of this fund is to pay the principal of and the interest on the bonds payable from the Revenue Bond Sinking Fund, as to which these would otherwise be in default. This requirement has been met at December 31, 2004.

Capital Additions and Contingencies Fund

The ordinances called for the establishment and maintenance of a Capital Additions and Contingencies Fund to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the system. Monthly deposits of \$571 are to be made, provided such sum is available after certain other provisions are met. This requirement has been met at December 31, 2004.

NOTE H

PENSION PLAN

Substantially all employees of the CITY OF COVINGTON, LOUISIANA are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana and Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing multiple-employer, defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

- A. Municipal Employees Retirement System of Louisiana (System) -The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE H

PENSION PLAN (Continued)

Plan Description. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the **CITY OF COVINGTON, LOUISIANA** is required to contribute at an actuarially determined rate. The current rate is 15.0 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except in Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the **CITY OF COVINGTON, LOUISIANA** are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The **CITY OF COVINGTON, LOUISIANA** required contributions to the System under Plan A for the years ending December 31, 2004, 2003, and 2002 of \$270,471, \$192,961 and \$139,656 respectively, equal to the required contributions for each year.

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE H

PENSION PLAN (Continued)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the **CITY OF COVINGTON, LOUISIANA** is required to contribute at an actuarially determined rate. The current rate is 23.85 percent of annual covered payroll. The contribution requirements of plan members and the **CITY OF COVINGTON, LOUISIANA** are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The **CITY OF COVINGTON, LOUISIANA** required contributions to the System for the years ending December 31, 2004, 2003, and 2002 were \$197,314, \$128,747 and \$98,200, respectively, equal to the required contributions for each year.

NOTE I

LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions and total long-term liabilities of the City for the year ended December 31, 2004:

	<u>Governmental</u>		<u>Business-Type</u>	
	<u>General Obligation Bonds</u>	<u>Sales Tax Bonds</u>	<u>Water Revenue Bonds</u>	<u>Total</u>
Bonds and Certificates Payable at January 1, 2004	\$ 2,580,000	\$ 6,100,000	\$ 404,614	\$ 9,084,614
Bonds Issued	-	-	-	-
Bonds Retired	<u>(260,000)</u>	<u>(425,000)</u>	<u>(105,560)</u>	<u>(790,560)</u>
Bonds and Certificates Payable at December 31, 2004	<u>\$ 2,320,000</u>	<u>\$ 5,675,000</u>	<u>\$ 299,054</u>	<u>\$ 8,294,054</u>

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE I

LONG-TERM LIABILITIES (Continued)

Bonds Retirement Schedule

<u>Governmental Activities</u>	<u>Payment Dates</u>	<u>Years</u>	<u>Interest Rate</u>	<u>Annual Principal Payments</u>
General Obligation Bonds:				
1995 General Obligation Bonds issued March 1, 1995 for \$600,000 secured by Ad Valorem taxes	March 1 and September 1	2005	5.60	\$ 45,000
		2006	5.65	45,000
		2007	5.70	50,000
		2008	5.75	55,000
		2009	5.85	55,000
		2010	5.85	60,000
				<u>310,000</u>
1996 Sewer Refunding Bonds issued January 1, 1996 for \$1,930,000 secured by Ad Valorem taxes	March 1 and September 1	2005	4.45	195,000
		2006	4.55	215,000
		2007	4.75	225,000
		2008	5.00	240,000
				<u>875,000</u>
2002 General Obligation Bonds issued January 14, 2002 for \$1,240,000 secured by Ad Valorem taxes	March 1 and September 1	2005	4.00	40,000
		2006	4.00	40,000
		2007	4.00	45,000
		2008	4.00	45,000
		2009	5.50	50,000
		2010	5.50	55,000
		2011	5.50	55,000
		2012	4.00	60,000
		2013	4.00	65,000
		2014	4.10	70,000
		2015	4.20	75,000
		2016	4.30	75,000
		2017	4.40	80,000
		2018	4.50	85,000
		2019	4.75	90,000
		2020	5.00	100,000
		2021	5.00	105,000
				<u>1,135,000</u>
				<u>\$ 2,320,000</u>

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE I
LONG-TERM LIABILITIES (Continued)

Bonds Retirement Schedule (Continued)

<u>Government Activities</u>	<u>Payment Dates</u>	<u>Years</u>	<u>Interest Rate</u>	<u>Annual Principal Payments</u>
Sales Tax Bonds:				
1997 Sales Tax Refunding Bonds issued July 29, 1997 for \$3,330,000 secured by proceeds of 1% 1982 sales and use tax	May 1 and November 1	2005	4.50	\$ 290,000
		2006	4.50	305,000
		2007	4.50	320,000
		2008	4.55	340,000
		2009	4.65	355,000
				<u>1,610,000</u>
2002 Sales Tax Bonds issued January 13, 2002 for \$4,450,000 secured by proceeds of the 1% 1982 sales and use tax	May 1 and November 1	2005	5.80	155,000
		2006	5.75	165,000
		2007	4.50	170,000
		2008	4.50	180,000
		2009	4.50	190,000
		2010	4.50	200,000
		2011	4.50	210,000
		2012	4.30	220,000
		2013	4.40	235,000
		2014	4.45	245,000
		2015	4.50	255,000
		2016	4.55	270,000
		2017	4.60	285,000
		2018	4.70	295,000
		2019	4.75	315,000
		2020	4.80	330,000
		2021	4.85	345,000
				<u>4,065,000</u>
				<u>\$ 5,675,000</u>

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE I

LONG-TERM LIABILITIES (Continued)

Bonds Retirement Schedule (Continued)

Business Activities	Payment Dates	Years	Interest Rate	Annual Principal Payments
Water Revenue Bonds:				
1980 Water Revenue Bonds issued for \$1,200,000 secured by revenues of the water system, payments made annually for \$86,976 including interest and principal	January 14	2005 - 2006	5.00	\$ 94,054
1996 Water Revenue Bonds issued for \$368,000 secured by revenues of the water system	January 1	2005	5.75	28,000
		2006	5.75	31,000
		2007	5.75	34,000
		2008	5.75	36,000
		2009	5.75	37,000
		2010	5.75	39,000
				<u>205,000</u>
				<u>\$ 299,054</u>

Total future principal and interest payments are as follows:

Year Ending December 31,	Governmental Activities				Business-Type Activities			
	General Obligation		Sales Tax		Revenue		Total	
	Bonds		Bonds		Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 280,000	\$105,767	\$ 445,000	\$ 263,353	\$ 122,054	\$ 10,982	\$ 847,054	\$ 380,102
2006	300,000	90,905	470,000	241,313	31,000	9,286	801,000	341,504
2007	320,000	76,274	490,000	210,901	34,000	7,418	844,000	294,593
2008	340,000	59,124	520,000	188,316	36,000	5,405	896,000	252,845
2009	105,000	58,659	545,000	172,481	37,000	3,306	687,000	234,446
2010 to 2014	365,000	177,925	1,110,000	643,503	39,000	1,121	1,514,000	822,549
2015 to 2019	405,000	100,003	1,420,000	368,510	-	-	1,825,000	468,513
2020 to 2024	205,000	1,037	675,000	49,305	-	-	880,000	50,342
	\$ 2,320,000	\$669,694	\$ 5,675,000	\$ 2,137,682	\$ 299,054	\$ 37,518	\$ 8,294,054	\$ 2,844,894

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE I

LONG-TERM LIABILITIES (Continued)

As of December 31, 2004, there is \$1,868,941 available in the Debt Service Funds to service the general obligation bonds.

General obligation bonds are secured by an annual Ad Valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the City is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property in the City. At December 31, 2004, the City had not exceeded this statutory limit.

NOTE J

INTERFUND TRANSFERS

Operating transfers between funds consist primarily of sales tax revenues transferred out of the 1957 and 1982 Sales Tax Funds to the particular funds for which, the sales tax revenue is to be used.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 4,985,726	\$ 709,300
1982 Sales Tax Fund	-	2,829,875
1957 Sales Tax Fund	-	2,829,874
Sales Tax Bond Fund	709,078	-
Proprietary Fund	709,300	-
Nonmajor Funds		
A3 Sales Tax Fund	-	35,055
Total	<u>\$ 6,404,104</u>	<u>\$ 6,404,104</u>

NOTE K

RESERVED FUND BALANCES

The reserved fund balances as of December 31, 2004, are as follows:

RESERVED FOR DEBT SERVICE

This reserve represents the amounts reserved for payment of principal and interest maturing in future years on bonded debt.

RESERVED FOR CAPITAL OUTLAY

This reserve represents amounts reserved for construction and purchase of capital assets.

RESERVED FOR PERPETUAL CARE

This reserve represents monies set aside for upkeep of the City's Mausoleum.

RESERVED FOR RECREATION

This reserve represents monies set aside for the development of a new recreational facility

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE L

CONTINGENT LIABILITIES

The City is a defendant in several lawsuits, which are currently pending. The City persists in its vigorous defense of these lawsuits and maintains that the defenses available should shield the City from liability or, at a minimum, preclude the amount of damages sought by the plaintiffs. The majority of the cases are covered by insurance and, in the opinion of legal counsel for the City, the ultimate resolutions of these cases will not result in a significant liability to the City.

NOTE M

FHA REVOLVING LOAN FUND

In prior years, the City was awarded grant funds under the Rural Business Enterprise Grant (CFDA #10.424) for the purpose of making loans to area businesses at low interest rates to promote economic development. The grant funds were to form a revolving loan fund where notes would be collected and new loans would be made. The following is a recap of the activity of the revolving loan fund which is accounted for in the City's General Fund:

Cash balance - January 1, 2004	\$ 85,639
Additions:	
Principal Payments on Notes	45,189
Interest Payments on Notes	4,882
Interest on Cash Account	365
Application Fees	140
Reductions:	
Loans Made in 2004	(92,532)
Bank Charges	<u>(475)</u>
Cash Balance - December 31, 2004	<u>\$ 43,208</u>
Notes Receivable Balance - December 31, 2004	<u>\$ 153,746</u>

NOTE N

LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

In accordance with GASB Statement 18, the City adjusted the 1994 beginning balance of retained earnings for the current and future estimated costs relating to the landfill closure and post closure care costs.

The City's engineers have determined that all costs related to post closure care of landfill have been incurred in previous years, and as the monitoring period required by GASB Statement 18 has ended, the City has removed the liability from the City's balance sheet.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE O

PRIOR YEARS' DEBT DEFEASANCE

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government securities that were placed in the trust funds. The investments and fixed earnings from those investments are sufficient to fully service the defeased debt until the debt is called or matured. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the City's statement of net assets. As of December 31, 2004, the amount of the defeased debt outstanding but removed from the statement of net assets amounted to \$2,763,000.

NOTE P

POST-RETIREMENT BENEFITS

The City provides certain continuing health care benefits for retired employees. Substantially all of the City's employees become eligible for these benefits if they reach normal retirement age while working for the City. The City recognizes the cost of providing these benefits as an expenditure when the monthly premiums are due. For the year ended December 31, 2004, the City expended \$554,358 for health care and life insurance benefits. Included in this total is \$56,020 of health care benefits paid for retirees. There are 16 retirees and 136 active employees, as of December 31, 2004.

NOTE Q

SELF INSURANCE

The City has contracted with a commercial insurance company to provide liability coverage for general acts, law enforcement, and public official's errors and omissions. The policy requires the City to pay for claims and costs up to \$25,000 with maximum aggregate payments limited to \$200,000. At December 31, 2004, no significant claims were owed and no liability has been recorded.

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULES**

**CITY OF COVINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
REVENUES				
Taxes	\$ 1,467,076	\$ 1,733,096	\$ 1,850,146	\$ 117,050
Licenses and Permits	796,000	860,000	870,572	10,572
Intergovernmental	83,000	113,800	104,904	(8,896)
Charges for Services	265,600	263,600	262,556	(1,044)
Fines and Forfeitures	171,000	137,500	139,579	2,079
Federal Grants	27,000	384,732	403,841	19,109
State Grants	24,000	86,750	49,669	(37,081)
Interest Income	34,000	50,000	33,011	(16,989)
Miscellaneous	21,000	76,550	106,860	30,310
Total Revenues	<u>2,888,676</u>	<u>3,706,028</u>	<u>3,821,138</u>	<u>115,110</u>
EXPENDITURES				
Current:				
General Government	1,862,610	2,100,479	1,812,398	288,081
Public Safety - Police	2,360,900	2,490,737	2,324,648	166,089
Public Safety - Fire	626,700	720,100	616,671	103,429
Public Works - Streets	2,702,100	3,482,430	2,784,970	697,460
Culture and Recreation	385,800	531,070	413,436	117,634
Total Expenditures	<u>7,938,110</u>	<u>9,324,816</u>	<u>7,952,123</u>	<u>1,372,693</u>
Deficiency of Revenues Under Expenditures	(5,049,434)	(5,618,788)	(4,130,985)	1,487,803
OTHER FINANCING SOURCES (USES)				
Transfers In	4,178,440	4,789,395	4,985,726	196,331
Transfers Out	<u>(359,100)</u>	<u>(1,442,890)</u>	<u>(709,300)</u>	<u>733,590</u>
Total Other Financing Sources	<u>3,819,340</u>	<u>3,346,505</u>	<u>4,276,426</u>	<u>929,921</u>
CHANGE IN FUND BALANCE	<u>\$ (1,230,094)</u>	<u>\$ (2,272,283)</u>	145,441	<u>\$ 2,417,724</u>
FUND BALANCE - BEGINNING OF YEAR			5,073,216	
FUND BALANCE - END OF YEAR			<u>\$ 5,218,657</u>	

CITY OF COVINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
TAXES				
Ad Valorem	\$ 956,076	\$ 1,162,096	\$ 1,261,101	\$ 99,005
Franchise	511,000	571,000	589,045	18,045
Total Taxes	<u>1,467,076</u>	<u>1,733,096</u>	<u>1,850,146</u>	<u>117,050</u>
LICENSES AND PERMITS				
Insurance	450,000	492,000	491,875	(125)
Occupational	290,000	295,000	298,608	3,608
Building	34,000	50,000	57,169	7,169
Liquor and Beer	15,000	15,000	15,024	24
Chain Store	7,000	8,000	7,896	(104)
Total Licenses and Permits	<u>796,000</u>	<u>860,000</u>	<u>870,572</u>	<u>10,572</u>
INTERGOVERNMENTAL				
Beer Tax	35,000	35,000	27,349	(7,651)
911 Revenue	8,000	8,000	7,776	(224)
Fire Insurance Rebate	20,000	22,800	22,799	(1)
District 12 Dispatch	20,000	48,000	46,980	(1,020)
Total Intergovernmental	<u>83,000</u>	<u>113,800</u>	<u>104,904</u>	<u>(8,896)</u>
CHARGES FOR SERVICES				
Recreation Registration	48,000	48,000	48,471	471
Greater Covington Center Rentals	172,600	152,600	148,839	(3,761)
Community Center Rental	1,000	3,500	3,150	(350)
Highway Maintenance - DOTD	9,000	9,000	8,914	(86)
Park Rental	4,000	6,000	5,725	(275)
Rental Income	20,000	22,500	25,198	2,698
Accident Reports	5,000	5,000	5,582	582
Zoning Revenue	6,000	17,000	16,677	(323)
Total Charges for Services	<u>265,600</u>	<u>263,600</u>	<u>262,556</u>	<u>(1,044)</u>
FINES AND FORFEITURES				
Court Fines	150,000	120,000	119,318	(682)
DWI Fines	16,000	10,000	3,970	(6,030)
Parking Fines	5,000	7,500	8,860	1,360
Penalties	-	-	7,431	7,431
Total Fines and Forfeits	<u>171,000</u>	<u>137,500</u>	<u>139,579</u>	<u>2,079</u>

Schedule 2 (Continued)

CITY OF COVINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
FEDERAL GRANTS				
Police Grants	27,000	38,037	32,664	(5,373)
Preview Sidewalk	-	-	33,859	33,859
LCDBG Streets	-	309,195	309,193	(2)
Flood Hazard Mitigation	-	37,500	28,125	(9,375)
Total Federal Grants	<u>27,000</u>	<u>384,732</u>	<u>403,841</u>	<u>19,109</u>
STATE GRANTS				
DARE Grant	24,000	24,000	34,444	10,444
Other	-	62,750	15,225	(47,525)
Total State Grants	<u>24,000</u>	<u>86,750</u>	<u>49,669</u>	<u>(37,081)</u>
INTEREST INCOME	<u>34,000</u>	<u>50,000</u>	<u>33,011</u>	<u>(16,989)</u>
OTHER REVENUES				
Paving Assessment	8,000	8,000	5,987	(2,013)
Miscellaneous Revenues	1,000	48,500	72,024	23,524
Sale of Surplus Property	-	-	3,477	3,477
Cemetery Plot Sale	2,000	2,000	1,300	(700)
Ad Campaign	10,000	16,800	22,825	6,025
Donations	-	1,250	1,247	(3)
Total Miscellaneous	<u>21,000</u>	<u>76,550</u>	<u>106,860</u>	<u>30,310</u>
Total Revenues	<u>\$ 2,888,676</u>	<u>\$ 3,706,028</u>	<u>\$ 3,821,138</u>	<u>\$ 115,110</u>

CITY OF COVINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2004

Schedule 2 (Continued)

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
GENERAL GOVERNMENT				
Administration				
Salaries	\$ 498,210	\$ 504,260	\$ 504,055	\$ 205
Hospitalization	98,900	99,750	90,330	9,420
Retirement	57,200	57,700	57,104	596
Unemployment Compensation	900	900	636	264
Workmen's Compensation	5,500	5,500	5,805	(305)
Medicare Expense	4,000	7,800	8,226	(426)
Payroll Taxes	4,000	3,500	3,259	241
Attorneys' Fees	60,000	94,469	94,484	(15)
Engineering Fees	30,000	27,500	27,332	168
Audit Fees	26,000	26,000	25,280	720
Computer Programming	10,000	8,200	4,936	3,264
Professional Fees - General	77,000	106,500	59,072	47,428
Publication and Notices	25,000	31,000	29,684	1,316
Meetings and Conventions - Council	10,000	6,650	3,951	2,699
Meetings and Conventions - Mayor Council	5,000	4,850	4,448	402
Humane Society	20,000	22,000	17,960	4,040
Utilities	10,000	13,000	8,873	4,127
Telephone	24,000	20,000	14,934	5,066
Dues and Subscriptions	11,000	9,000	6,830	2,170
Insurance	39,000	55,900	69,549	(13,649)
Office Supplies	47,000	51,500	49,693	1,807
Repairs and Maintenance	70,000	62,500	56,127	6,373
Training and Education	15,000	19,000	18,944	56
Contract Services	41,000	33,900	32,848	1,052
Gasoline	3,500	3,500	1,993	1,507
Service Charges and Fees	2,000	18,000	17,445	555
Election	-	600	1,045	(445)
Lease Payments	2,000	10,000	5,466	4,534
Capital Outlay	73,000	112,300	52,148	60,152
Total Administration	<u>1,269,210</u>	<u>1,415,779</u>	<u>1,272,457</u>	<u>143,322</u>

CITY OF COVINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2004

Schedule 2 (Continued)

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)				
Downtown Development Program				
Salary and Benefits	173,700	168,500	162,532	5,968
Retirement	20,000	20,200	19,009	1,191
Unemployment Compensation	500	500	256	244
Hospitalization	25,400	27,300	27,105	195
Payroll Tax	-	400	411	(11)
Medicare Expense	1,300	2,300	710	1,590
Workmen's Compensation	9,800	7,500	7,950	(450)
Contract Services	74,500	68,216	66,086	2,130
Marketing and Promotion	52,000	63,394	63,062	332
Grant Expenditures	-	9,600	4,588	5,012
Parking Lease	5,000	5,000	3,040	1,960
Utilities	52,500	47,790	40,658	7,132
Travel	2,500	1,100	1,058	42
Insurance	17,000	28,100	26,118	1,982
Office Supplies	17,500	17,400	15,424	1,976
Training and Education	2,000	2,600	2,522	78
Telephone	7,500	6,700	3,789	2,911
Dues and Subscriptions	2,500	2,550	2,308	242
Repairs and Maintenance	42,500	36,650	33,979	2,671
Materials and Supplies	18,000	17,550	17,313	237
Garbage - Dumpster	3,200	3,200	2,738	462
Small Tools and Equipment	6,000	3,400	1,900	1,500
Rent	2,000	1,000	524	476
Professional Services	30,500	31,100	684	30,416
Fuel	5,500	5,050	4,023	1,027
Lease Payments	-	5,800	4,538	1,262
Capital Outlay	22,000	101,800	27,616	74,184
Total Downtown Development Program	593,400	684,700	539,941	144,759
Total General Government	1,862,610	2,100,479	1,812,398	288,081

Schedule 2 (Continued)

CITY OF COVINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2004

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
PUBLIC SAFETY - POLICE				
Salaries and Benefits	1,296,000	1,305,650	1,271,062	34,588
Retirement	232,500	232,500	212,267	20,233
Hospitalization	206,500	217,500	209,075	8,425
Payroll Tax	-	1,400	1,051	349
Medicare Expense	18,500	18,500	15,179	3,321
Unemployment Compensation	2,600	2,700	2,519	181
Workmen's Compensation	48,500	48,100	53,460	(5,360)
Accrued Leave	45,000	45,000	12,178	32,822
Insurance	95,000	105,000	97,472	7,528
Medical	3,000	3,000	1,776	1,224
Telephone	28,000	30,100	28,587	1,513
Utilities	16,000	17,000	15,142	1,858
Office Supplies	17,500	15,100	13,879	1,221
Contract Services	12,100	4,600	4,410	190
Professional Services	-	300	280	20
Repairs and Maintenance	56,000	55,050	52,222	2,828
Garbage Collection	1,200	1,200	1,035	165
Materials and Supplies	18,000	20,805	20,265	540
Dues	3,000	2,700	2,040	660
Gasoline	40,000	59,500	59,324	176
Uniforms	8,000	8,400	6,811	1,589
Training and Education	20,000	20,000	19,902	98
Rent	1,500	1,800	1,783	17
Small Tools and Equipment	7,000	5,700	5,045	655
Capital Outlay	185,000	269,132	217,884	51,248
Total Public Safety - Police	2,360,900	2,490,737	2,324,648	166,089
PUBLIC SAFETY - FIRE				
Salaries	305,900	317,900	324,602	(6,702)
Retirement	33,000	35,000	35,425	(425)
Hospitalization	45,100	46,900	46,159	741
Payroll Tax	-	3,500	3,284	216
Medicare Expense	4,500	5,400	5,037	363
Unemployment Compensation	600	700	620	80
Workmen's Compensation	15,000	17,000	19,304	(2,304)
Telephone	11,700	11,700	13,843	(2,143)
Utilities	14,000	15,500	10,733	4,767
Materials and Supplies	16,000	15,100	14,997	103
Insurance	29,200	19,000	18,854	146
Gasoline and Diesel	9,000	10,000	9,599	401

CITY OF COVINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2004

Schedule 2 (Continued)

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
PUBLIC SAFETY - FIRE				
Training and Education	10,000	4,900	4,775	125
Contract Services	-	700	658	42
Coroner Fees	15,000	15,000	15,000	-
Small Tools and Equipment	20,000	20,000	18,678	1,322
Volunteers	10,000	10,000	10,000	-
Dues and Subscriptions	3,500	2,200	1,985	215
Office Supplies	12,000	11,200	10,877	323
Garbage	700	700	580	120
Repairs and Maintenance	29,000	28,500	28,286	214
Rent	1,000	1,000	930	70
Medical	1,000	700	542	158
Capital Outlay	40,500	127,500	21,903	105,597
Total Public Safety - Fire	626,700	720,100	616,671	103,429
PUBLIC WORKS - STREETS				
Salaries and Benefits	530,400	548,700	539,731	8,969
Contract Services	48,500	48,500	38,877	9,623
Retirement	65,000	66,500	65,076	1,424
Hospitalization	79,700	89,000	85,392	3,608
Payroll Taxes	-	500	446	54
Medicare Expense	7,500	7,500	6,488	1,012
Unemployment Compensation	1,000	1,000	956	44
Workmen's Compensation	55,000	54,500	56,971	(2,471)
Telephone	6,200	6,100	3,952	2,148
Utilities	81,000	95,800	93,892	1,908
Professional Services	115,000	66,200	51,049	15,151
Tree and Stump Removal	45,000	52,300	52,227	73
Garbage Collection	11,500	11,500	9,455	2,045
Materials and Supplies	113,000	126,385	123,438	2,947
Small Tools and Equipment	15,000	7,650	7,003	647
Repairs and Maintenance	81,500	94,365	90,030	4,335
Rent - Equipment	1,000	600	89	511
Insurance	39,000	80,000	70,792	9,208
Medical	1,000	400	273	127
Gasoline	53,500	54,000	43,125	10,875
Training and Education	1,000	1,000	984	16
Office Supplies	13,000	12,100	10,150	1,950
Dues and Subscriptions	500	700	663	37
Capital Outlay	1,337,800	2,057,130	1,433,911	623,219
Total Public Works - Street	2,702,100	3,482,430	2,784,970	697,460

Schedule 2 (Continued)

CITY OF COVINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
CULTURE AND RECREATION				
Salaries and Benefits	129,200	126,200	115,318	10,882
Retirement	12,500	12,500	12,010	490
Hospitalization	17,900	17,800	12,926	4,874
Payroll Taxes	-	1,500	1,180	320
Medicare Expenses	2,000	2,000	1,675	325
Unemployment Insurance	300	400	210	190
Workmen's Compensation	10,000	8,500	6,671	1,829
Telephone	4,900	4,800	3,666	1,134
Utilities	17,000	20,000	18,623	1,377
Materials and Supplies	55,500	52,650	43,807	8,843
Repairs and Maintenance	21,000	20,700	18,212	2,488
Insurance	15,000	16,500	11,552	4,948
Medical	500	500	187	313
Gasoline	3,500	4,500	4,141	359
Training and Education	1,000	1,000	924	76
Meetings and Conferences	1,000	1,000	684	316
Lease Payments	-	1,000	938	62
Swimming Pool Operation	12,000	12,000	12,000	-
Garbage	3,000	3,000	2,680	320
Contract Labor	28,500	34,320	32,674	1,646
Office Supplies	8,500	7,000	6,552	448
Franchise Fees	2,000	2,150	1,650	500
Capital Outlay	40,500	181,050	105,156	75,894
 Total Culture and Recreation	 <u>385,800</u>	 <u>531,070</u>	 <u>413,436</u>	 <u>117,634</u>
 Total Expenditures	 <u>\$ 7,938,110</u>	 <u>\$ 9,324,816</u>	 <u>\$ 7,952,123</u>	 <u>\$ 1,372,693</u>

Schedule 3

CITY OF COVINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
1982 SALES TAX FUND
For The Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
REVENUES				
Taxes:				
Sales and Use Tax	<u>\$ 2,436,150</u>	<u>\$ 2,724,100</u>	<u>\$ 2,829,878</u>	<u>\$ 105,778</u>
EXPENDITURES				
General Government	<u>-</u>	<u>-</u>	<u>3</u>	<u>(3)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,436,150</u>	<u>2,724,100</u>	<u>2,829,875</u>	<u>105,775</u>
OTHER FINANCING (USES)				
Transfers Out	<u>(2,436,150)</u>	<u>(2,724,100)</u>	<u>(2,829,875)</u>	<u>(105,775)</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE - END OF YEAR			<u>\$ -</u>	

**CITY OF COVINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
1957 SALES TAX
For The Year Ended December 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
REVENUES				
Taxes				
Sales and Use Tax	<u>\$ 2,436,150</u>	<u>\$ 2,721,100</u>	<u>\$ 2,829,878</u>	<u>\$ 108,778</u>
EXPENDITURES				
General Government	<u>-</u>	<u>-</u>	<u>4</u>	<u>(4)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,436,150</u>	<u>2,721,100</u>	<u>2,829,874</u>	<u>108,774</u>
OTHER FINANCING (USES)				
Transfers Out	<u>(2,436,150)</u>	<u>(2,721,100)</u>	<u>(2,829,874)</u>	<u>(108,774)</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - BEGINNING OF YEAR			<u>210</u>	
FUND BALANCE - END OF YEAR			<u>\$ 210</u>	

Schedule 5

CITY OF COVINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
A3 SALES TAX FUND
For The Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
REVENUES				
Taxes				
Sales and Use Tax	<u>\$ -</u>	<u>\$ 192,750</u>	<u>\$ 188,312</u>	<u>\$ (4,438)</u>
EXPENDITURES				
General Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>192,750</u>	<u>188,312</u>	<u>(4,438)</u>
OTHER FINANCING (USES)				
Transfers Out	<u>-</u>	<u>(35,055)</u>	<u>(35,055)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 157,695</u>	<u>153,257</u>	<u>\$ (4,438)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,659</u>	
FUND BALANCE - END OF YEAR			<u>\$ 154,916</u>	

OTHER SUPPLEMENTAL INFORMATION

Other Supplemental Information
Schedule 1

CITY OF COVINGTON, LOUISIANA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2004

	Capital Projects Fund	A3 Sales Tax Special Revenue Fund	Garden of Pines Permanent Fund	Total Non-Major Governmental Funds
ASSETS				
Cash	\$ 717,260	\$ -	\$ 25,657	\$ 742,917
Equity in Pooled Cash	-	154,916	-	154,916
Certificate of Deposit	-	-	24,955	24,955
Due from Other funds	12,013	-	-	12,013
Total Assets	<u>\$ 729,273</u>	<u>\$ 154,916</u>	<u>\$ 50,612</u>	<u>\$ 934,801</u>
LIABILITIES				
Accounts Payable	\$ 50,233	\$ -	\$ -	\$ 50,233
FUND BALANCES				
Reserved for Construction	679,040	-	-	679,040
Reserved for Perpetual Care			50,612	50,612
Unreserved	-	154,916	-	154,916
Total Fund Balances	<u>679,040</u>	<u>154,916</u>	<u>50,612</u>	<u>884,568</u>
Total Liabilities and Fund Balances	<u>\$ 729,273</u>	<u>\$ 154,916</u>	<u>\$ 50,612</u>	<u>\$ 934,801</u>

Other Supplemental Information
Schedule 2

CITY OF COVINGTON, LOUISIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2004

	Capital Projects Fund	A3 Sales Tax Special Revenue Fund	Garden of Pines Permanent Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$ -	\$ 188,312	\$ -	\$ 188,312
Interest Income	5,741	-	1,068	6,809
Total Revenues	5,741	188,312	1,068	195,121
EXPENDITURES				
Capital Outlay	911,875	-	-	911,875
Total Expenditures	911,875	-	-	911,875
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(906,134)	188,312	1,068	(716,754)
OTHER FINANCING (USES)				
Operating Transfers Out	-	(35,055)	-	(35,055)
CHANGES IN FUND BALANCES	(906,134)	153,257	1,068	(751,809)
FUND BALANCES - BEGINNING OF YEAR	1,585,174	1,659	49,544	1,636,377
FUND BALANCES - END OF YEAR	<u>\$ 679,040</u>	<u>\$ 154,916</u>	<u>\$ 50,612</u>	<u>\$ 884,568</u>

Other Supplemental Information
Schedule 3

CITY OF COVINGTON, LOUISIANA

SCHEDULE OF COUNCIL MEMBERS

December 31, 2004

<u>Council Members</u>	<u>Term of Office</u>	<u>Compensation</u>
Patricia Clanton 1210 Madison St. Covington, LA 70433 (985) 892-2025	June 30, 2007	\$ 9,000
Clarence Romage 706 Covington Point Dr, Covington, LA 70433 (985) 893-2033	June 30, 2007	9,000
Jan Robert 323 West 19 th Avenue Covington, LA 70433 (985) 893-5554	June 30, 2007	9,000
Matthew Faust 602 Phyllis Drive Covington, LA 70433 (985) 893-3740	June 30, 2007	9,000
Lee Alexius 400 S. New Hampshire Covington, LA 70433 (985) 892-6507	June 30, 2007	9,000
Guy Williams 1218 West 33 rd Avenue Covington, Louisiana 70433-1243 (985) 871-1561	June 30, 2007	9,000
W. T. "Trey" Blackall, III 1006 South Filmore Street Covington, Louisiana 70455 (985) 893-4809	June 30, 2007	9,000

OTHER REPORTS



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Candace Watkins, Mayor
and Members of the City Council
City of Covington, Louisiana

We have audited the financial statements of **CITY OF COVINGTON, LOUISIANA** as of and for the year ended December 31, 2004, and have issued our report thereon dated May 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered **CITY OF COVINGTON, LOUISIANA's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **CITY OF COVINGTON, LOUISIANA's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the **CITY OF COVINGTON, LOUISIANA**, federal awarding agencies and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

May 4, 2005